

AR16

# ANNUAL REPORT

for the year ended January 31, 1972



IRWIN TOY LIMITED / 43 HANNA AVENUE, TORONTO, CANADA



## IRWIN TOY LIMITED



### **Directors**

Louis Boaretti  
Edward J. M. Huycke, Q. C.  
Arnold B. Irwin  
Beatrice I. Irwin  
S. Macdonald Irwin  
C. Edward Medland

### **Officers**

Arnold B. Irwin, President  
S. Macdonald Irwin,  
Executive Vice-President  
Louis Boaretti, Secretary-Treasurer

### **Auditors**

Harbinson, Glover & Co., Toronto

### **Solicitors**

Osler, Hoskin & Harcourt, Toronto

### **Transfer Agent and Registrar**

The Royal Trust Company  
Montreal, Toronto, Winnipeg,  
Calgary and Vancouver



AR16

IRWIN TOY LIMITED

TO THE SHAREHOLDERS:  
IRWIN TOY LIMITED

I am pleased to report to you the interim unaudited financial results of your Company for the six months ended July 31, 1972. These results show the following progress when compared to the same period of 1971.

- Sales and Services of Irwin Toy Limited increased by 17%.
- Orders booked during the period are up 42% over the same period of last year.
- Earnings for the period increased from 15 cents to 18.5 cents per share — an actual increase of 24.5%.

Our Spring and Summer lines for next year have met with a warm reception. We are projecting a continuing increase in this field for next year.

While we are encouraged by the results achieved so far this year and are optimistic that the seasonally stronger second half will result in a continued improvement in sales and profits for the full year, I must remind you of the fact that this is a highly seasonable business and the last quarter of which is of significant importance to our overall results.

ARNOLD B. IRWIN  
President

*interim report  
to the shareholders*

SIX MONTHS ENDED JULY 31, 1972



# IRWIN TOY LIMITED

and subsidiary company

## INTERIM REPORT six months ended July 31, 1972

(unaudited)

### CONSOLIDATED STATEMENT OF EARNINGS

	1972	1971
Earnings before the following deductions (Note 1) .....	\$ 728,415	\$ 641,587
Depreciation.....	39,715	39,030
Interest on long-term debt.....	20,314	24,424
Income taxes .....	323,580	305,800
	<u>383,609</u>	<u>369,254</u>
Net earnings before undernoted.....	344,806	272,333
Equity in net earnings of companies 50% owned .....	109,984	91,157
Net earnings for period.....	<u>\$ 454,790</u>	<u>\$ 363,490</u>
Shares issued and outstanding (Note 2) ....	2,433,000	2,423,600
Per share (Note 2) .....	\$ 0.18½	\$ 0.15

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1972	1971
<b>SOURCE OF FUNDS:</b>		
Net earnings for period.....	\$ 454,790	\$ 363,490
Deduct: Equity in net earnings of companies 50% owned .....	109,984	91,157
	<u>344,806</u>	<u>272,333</u>
Subsidiary Company — working capital on acquisition net of investment during period (Note 3) .....	33,983	—
Depreciation on fixed assets.....	39,715	39,030
Shares issued .....	<u>52,700</u>	<u>70,300</u>
	471,204	381,663
<b>APPLICATION OF FUNDS:</b>		
Increase in cash surrender value of life insurance.....	1,379	12,811
Building and equipment additions.....	14,429	10,798
Decrease in long-term debt .....	57,260	31,336
Dividend .....	<u>145,980</u>	<u>120,960</u>
	219,048	175,905
<b>INCREASE IN WORKING CAPITAL</b>	<u>\$ 252,156</u>	<u>\$ 205,758</u>

#### NOTES:

1. The percentage increase of sales of products and services over the prior period was:  
For the six months ended July 31, 1972 over 1971..... 17%  
For the six months ended July 31, 1971 over 1970..... 48%
2. Effective July 10, 1972 all the shares of the Company were sub-divided on a two-for-one basis. The 1971 shares outstanding and earnings per share have been restated for effective comparison.
3. As of February 1, 1972 Transogram Canada Limited (Transogram) in which the Company previously held a 48% interest became a wholly owned subsidiary, on acquisition of the remaining 52% of the shares outstanding. The Transogram accounts have been consolidated with Irwin Toy Limited for the six months ended July 31, 1972. The fact that the figures for 1972 include those of Transogram does not significantly affect comparison with the figures for 1971.



**FINANCIAL HIGHLIGHTS**

	1972	1971
Total Assets	\$6,821,768	\$5,290,693
Net Income	\$1,190,063	\$ 945,807
Retained Earnings	\$3,827,531	\$2,940,198
Earnings per Share	\$ 0.98	\$ 0.79
Working Capital	\$2,744,042	\$1,820,522
Shareholders' Equity	\$4,581,766	\$3,623,183
Number of Shares Outstanding	1,211,900	1,204,400

**IRWIN TOY LIMITED****REPORT TO SHAREHOLDERS**

In the year ended January 31st, 1972, your Company's sales and net profits were once again at record levels. Sales of products and services of Irwin Toy Limited increased by more than 45% over last year. Net earnings after tax excluding your company's equity in net earnings of companies 50% owned increased by more than 34% to \$830,941 from \$617,559, while the net earnings after tax, including our share of the equity in the Companies 50% owned, increased by more than 25% from \$945,807 to \$1,190,063.

On behalf of the Directors and Officers, I want to gratefully acknowledge the contribution which all our employees made during the past year. Irwin Toy is a people-oriented company and an important factor in our growth has been the high degree of dedication of our employees.

During the year Tyco Canada, Limited was established. This Company is owned 50% by Tyco Inc. of Woodbury Heights, New Jersey, U.S.A., a subsidiary of Consolidated Foods, and 50%

by Irwin Toy. Tyco is the leading manufacturer of H.O. Train Sets in the U.S.A., and is well known for its quality line of H.O. Road Racing Sets.

Your company entered into an agreement with Children's Television Workshop, the producers of the popular Sesame Street television show to manufacture a line of toys. These toys have had a great reception in the United States.

The outlook for 1972 is good. We are encouraged by the latest figures available from Ottawa showing that Department Store Sales are up by over 18% to the end of February over the same period last year. The Toy Show orders of Irwin Toy and our 50% owned Companies are up by 49% over last year. We do not expect that this rate of increase can be maintained for the full year but the response to our line by the major buyers gives us confidence that we will enjoy another successful year.

Toronto, Ontario

A. B. Irwin

May 25, 1972

President





## ASSETS

	January 31, 1972	January 31, 1971
<b>CURRENT:</b>		
Cash	\$ 1,515	\$ 1,515
Short term deposits	250,000	—
Accounts receivable	1,814,937	1,192,319
Inventories, at lower of cost or net realizable value	2,455,603	1,764,437
Prepaid expenses	52,989	50,962
	<b>4,575,044</b>	<b>3,009,233</b>
LIFE INSURANCE, cash surrender value	121,235	93,578
INVESTMENTS (Note 1)	1,080,295	1,115,953
<b>FIXED:</b>		
Land, buildings, plant and equipment at cost less accumulated depreciation of \$400,519 (1971 — \$320,092)	1,045,194	1,071,929
	<b>\$6,821,768</b>	<b>\$5,290,693</b>

## LIABILITIES

<b>CURRENT:</b>		
Bank indebtedness (secured)	\$ 213,152	\$ 101,121
Accounts payable and accrued liabilities	894,086	786,514
Income and other taxes payable	591,467	177,195
Current portion of long-term debt	132,297	123,881
	<b>1,831,002</b>	<b>1,188,711</b>
LONG-TERM DEBT (Note 2)	409,000	478,799

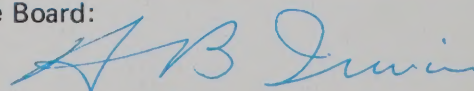
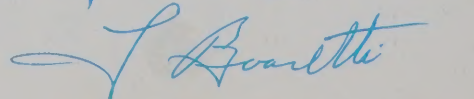
## SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK:</b>		
Authorized:		
3,000,000 Shares without par value		
Issued:		
1,211,900 Shares (Note 3) (1971 — 1,204,400 shares)	724,542	653,292
CONTRIBUTED SURPLUS	29,693	29,693
RETAINED EARNINGS	3,827,531	2,940,198
	<b>4,581,766</b>	<b>3,623,183</b>
	<b>\$6,821,768</b>	<b>\$5,290,693</b>

Approved on behalf of the Board:

A.B. IRWIN, Director

L. BOARETTI, Director

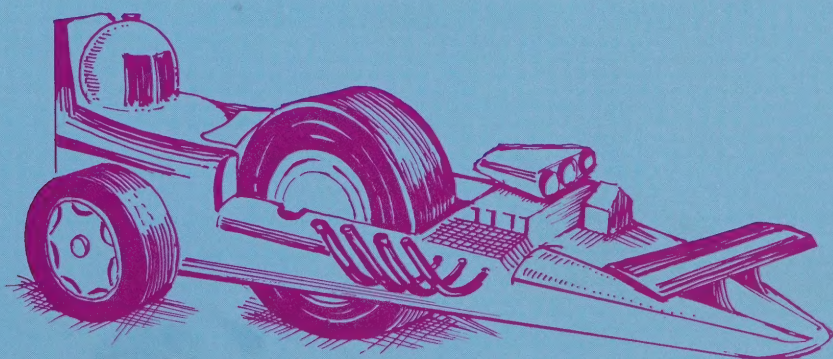



**STATEMENT OF EARNINGS****IRWIN TOY LIMITED**

	Year ended January 31, 1972	Year ended January 31, 1971
Earnings before the following deductions (Note 4)	<b>\$1,809,009</b>	\$1,450,983
Depreciation	<b>80,427</b>	69,242
Interest on long-term debt	<b>47,641</b>	53,182
Income taxes	<b>850,000</b>	711,000
	<b>978,068</b>	833,424
Net earnings before undernoted	<b>830,941</b>	617,559
Equity in net earnings of companies 50% owned	<b>359,122</b>	328,248
Net earnings for the year	<b>\$1,190,063</b>	\$ 945,807
Per share	<b>\$ 0.98</b>	\$ 0.79

**STATEMENT OF RETAINED EARNINGS**

	Year ended January 31, 1972	Year ended January 31, 1971
Retained earnings at beginning of year	<b>\$2,940,198</b>	\$1,994,391
Net earnings for the year	<b>1,190,063</b>	945,807
	<b>4,130,261</b>	2,940,198
Dividends — \$0.25 per share	<b>302,730</b>	—
Retained earnings at end of year	<b>\$3,827,531</b>	\$2,940,198





	Year ended January 31, 1972	Year ended January 31, 1971
SOURCE OF FUNDS:		
Net earnings for year	\$1,190,063	\$ 945,807
Deduct: Equity in net earnings of companies 50% owned	359,122	328,248
	830,941	617,559
Dividends received from companies 50% owned	420,000	65,000
Depreciation on fixed assets	80,427	69,242
Shares issued	71,250	19,000
	1,402,618	770,801
APPLICATION OF FUNDS:		
Increase in cash surrender value of life insurance	27,657	23,608
Building and equipment additions	53,692	142,650
Investments	25,220	—
Decrease in long-term debt	69,799	60,861
Dividends	302,730	—
	479,098	227,119
INCREASE IN WORKING CAPITAL FOR YEAR	923,520	543,682
WORKING CAPITAL AT BEGINNING OF YEAR	1,820,522	1,276,840
WORKING CAPITAL AT END OF YEAR	\$2,744,042	\$1,820,522



## 1. INVESTMENTS

	January 31, 1972	January 31, 1971
Companies 50% owned:		
Shares of Ideal Toy Company of Canada, Ltd., Kenner Products (Canada) Limited, Rempel Mfg. (Canada) Limited and Tyco Canada, Limited at equity in underlying net tangible assets	\$ 1,038,985	\$ 1,079,863
Other investments, at cost	41,310	36,090
	<u>\$1,080,295</u>	<u>\$1,115,953</u>

The Company's policy is to reflect its investment in companies 50% owned at its equity in their underlying net tangible assets. The Company's 50% equity in the net earnings of these companies is included in net income and added to the investment. Dividends received from these companies are deducted in arriving at the value of the investment.

## 2. LONG-TERM DEBT

	January 31, 1972	January 31, 1971
7½% first mortgage due 1987	\$ 255,033	\$ 264,073
8% first mortgage due 1972	24,364	40,621
9% mortgage due 1976	165,000	201,000
Sundry mortgage indebtedness:		
Due to shareholders	60,000	60,000
Notes payable	36,900	36,986
	<u>541,297</u>	<u>602,680</u>
Less: Current portion due within one year	132,297	123,881
	<u>\$ 409,000</u>	<u>\$ 478,799</u>

The 9% mortgage due in 1976 is secured on land, building, machinery and equipment and a floating charge on other assets.

On the foregoing long-term debt, aggregate payments of principal required in each of the next five years are as follows: \$132,297 in 1973; \$79,741 in 1974; \$46,463 in 1975; \$47,236 in 1976; \$33,515 in 1977.

## 3. CAPITAL STOCK – STOCK OPTION PLAN

In 1969 the Company reserved 60,000 unissued shares for the purpose of granting to certain officers and employees options to purchase shares of the Company at the market price of the shares on the date of granting of the option, exercisable not later than five years from the option date. Under this plan 11,900 shares were issued to January 31, 1972, of which 7,500 shares were issued during the year ended January 31, 1972 at \$9.50 per share for a total of \$71,250. Under the plan, at January 31, 1972, there were outstanding options expiring May 2, 1974 for 12,000 shares at \$9.50 per share.

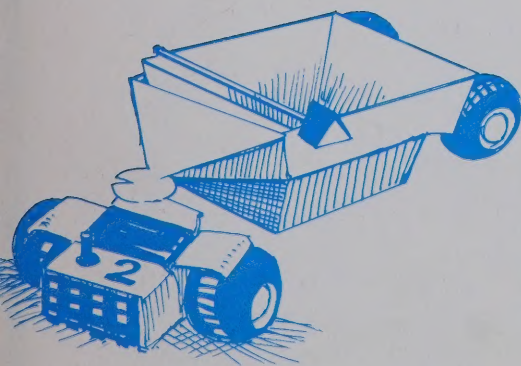
## 4. SALES PERCENTAGE INCREASE

The percentage increase of sales of products and services over the prior year was:

For the year ended January 31, 1972 over 1971	45.0%
For the year ended January 31, 1971 over 1970	7.8%

## 5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration of directors and senior officers of the Company for the year ended January 31, 1972 was \$176,466 (1971 – \$156,297).





## AUDITORS' REPORT

To the Shareholders of  
Irwin Toy Limited.

We have examined the balance sheet of Irwin Toy Limited as at January 31, 1972 and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records as we considered necessary in the circumstances.

Toronto, Ontario,  
May 5, 1972.

In our opinion these financial statements present fairly the financial position of the company as at January 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HARBINSON, GLOVER & CO.  
Chartered Accountants.

IRWIN TOY LIMITED





**IRWIN TOY LIMITED**  
**SIGNIFICANT COMPARISONS**

**EARNINGS  
PER SHARE**

**1969      1970      1971      1972**

**48¢**

**65¢**

**79¢**

**98¢**

**SHAREHOLDERS'  
EQUITY  
(\$000)**

**1,858**

**2,658**

**3,623**

**4,582**

**WORKING  
CAPITAL  
(\$000)**

**883**

**1,277**

**1,820**

**2,744**

**TOTAL  
ASSETS  
(\$000)**

**3,609**

**4,575**

**5,291**

**6,822**

**1969**

**1970**

**1971**

**1972**





Mr. Arnold Irwin,  
personally conducting a  
marketing study  
on representative  
company products.





# MUPPETS®

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OSCAR



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BIG BIRD



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